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Automotive News

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Makers use warranties as sales tool

By Arthur Flax
Service Editor

When the Acura line was introduced this year, it featured a 3-year/36,000-mile warranty with coverage more like that of BMW than Toyota or even of parent Honda.

With 30 or so manufacturers competing for a piece of the new-car pie, all players are hunting for an edge. And warranties are proving to be quite a broadsword in the collection of weapons.

Led by the makers of European sedans, there is a trend throughout the industry toward longer and more complete warranties. Manufacturers see the warranty as a competitive tool, a marketing device and a value-added package as well as a means to protect customers against the bugs that slip into even the best automobiles.

The price, positioning, reputation and quality of their cars as well as the cost of the warranty are the guidelines under which manufacturers make warranty decisions.

Manufacturers say they can afford to offer longer warranties because their cars are higher in quality and reliability.

In the face of stiff competition, some manufacturers may not be able to pay the price of offering a shorter warranty.

However, manufacturers indicate that in most cases, claims decline as the time limit is lengthened. In the case of extended powertrain warranties, the components covered are usually items such as engine blocks and transmission cases that seldom fail but involve considerable cost in the event of a malfunction.

Among manufacturers of upscale European sedans, multi-year warranties covering the complete car have become the rule during the past several years, and the warranty periods on new European cars continue to increase.

Last year, for example, Jaguar, Porsche and Saab increased their warranty coverage and during the past five years, Audi, BMW, Mercedes-Benz, Peugeot, Volkswagen and Volvo have increased their coverage significantly.

Chrysler is certainly the most agressive warranty marketer in the industry. In 1983, it introduced its 5-year/50,000-mile extended powertrain warranty in a wave of advertising hype. Ford and General Motors were relatively silent on warranties until the 1986 model year when they increased their multi-year coverage on powertrain and selected components.

And higher-priced domestic cars, notably Lincoln and Cadillac, received multi-year warranties on major components which

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Joe Wilsens

What's the answer, Mr. Cappy?

After American Motors' annual shareholders meeting, Joseph Cappy, the firm's president and chief executive officer, fields reporters' queries about the possibility of Chrysler Corp. assembling cars at one of AMC's plants. Stories on Page 56.

Honda leaves new ad giant

By Jenny L. King
Detroit Reporter

In the wake of the largest advertising merger in history, Honda's $135 million account will stay with its two top admen, who are starting their own shop, and Dodge and Volkswagen will remain with the merged conglomerate.

The merger brought together three firms big in the automotive ad world—BBDO International, which has the $130-million Dodge account; Doyle Dane Bernbach, Volkswagen's longtime agency, and Needham Harper Worldwide, which represented Honda.

The merger was part of an increasing trend toward consolidation in the ad world.

When it was announced a week ago that the three giant advertising agencies were pooling their $5 billion in aggregate billings, storm clouds quickly appeared on the horizon.

Because each member of the new and as yet unnamed family had a major automotive account, some observers said it wouldn't be feasible for them to get too cozy.

Colossal ad agency operations are more and more common as the need grows to serve clients on a global basis. The former biggest conglomerate, Interpublic Group of Cos., numbers Buick, GMC, Chevrolet, Mercedes-Benz and Toyota among its automotive customers.

By mid-week, the Needham Harper dilemma had been resolved. Two top executives of the agency's Los Angeles office, Gerrold Rubin and Larry Postaer, purchased the L.A. operation, taking its major clients, including Honda, in the package.

Bucking the mega-merger trend, the newly formed Rubin, Postaer and Associates will be headquartered in Los Angeles with offices in San Diego and Sacramento. Major accounts include American Honda, which was with Needham Harper for 12 years; California Lottery; Home Federal of San Diego, and

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Japanese make big gains in Europe

By Richard Feast
European Editor

LONDON—Japan's auto makers continued their steady progress into Western Europe's new-car market in the first quarter of this year.

Their sales totaled 327,800 for the period, a 21 percent increase over 1985, and they captured a record 11.2 percent of the market.

Toyota moved ahead of Nissan for the first time as the leading Japanese retailer on the continent. The development, long sought by Toyota, resulted from the resurgence in demand in the largest national market, West Germany.

Total new-car sales in Western Europe for the first quarter were 2,916,000 up 5.6 percent over last year's 2,760,100.

Fiat Auto was Europe's top seller at the end of March, followed by 1985's full-year champion, the Volkswagen-Audi Group. Market shares were 13.1 percent for Fiat and 12.9 percent for VW.

Renault's share sank to the lowest point in recent history (9.4 percent) as it continued to lose share in a flat French market. The three other leading contenders—Ford, General Motors (Opel-Vauxhall) and PSA (Peugeot-Citroen)—were tightly bunched but some distance from Fiat and VW.

European new-car sales were 2,-

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Meyers tells tale of crises

By Al Fleming
Industry Editor

WEST BLOOMFIELD, Mich.—Crisis isn't his middle name, but it well might be.

Gerald C. (for Carl) Meyers earned the equivalent of a black belt in battling off tough times in an automotive career that spanned 32 years.

It ended abruptly four years ago when, at age 53, he exited troubled American Motors as chairman and chief executive officer.

Seated at his desk in a modest office in this suburb northwest of Detroit, the tall, rugged-looking ex-auto monarch reflected on a stormy past: "As I look back at my business career, it was just a lifetime of crisis."

So it seems. Meyers entered the auto world at Ford Motor Co. in 1950, as the company was just starting to emerge from its legendary post-World War II management struggles.

In 1954, he went to Chrysler Corp., which was in the midst of a serious sales slide. He spent eight

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Gerald C. Meyers

Joe Wilsens

Ford moves to speed cars to the market

By Richard Johnson
Detroit Reporter

A major reorganization of Ford Motor Co.'s North American product planning operations is expected to cut development time on all-new cars to less than three years in the 1990s.

The "program management" approach to car development at Ford began April 1 with an ambitious set of objectives.

"We want to take at least 12 months out of our programs at the start and then whittle on that," said Stuart Frey, Ford vice president—Car Product Development, in an interview.

Ford spent more than five years taking its new Taurus/Sable

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Workers try to save Ford plant

By Mary Connelly
Detroit Reporter

UAW workers at Ford Motor Co.'s Green Island (N.Y.) manufacturing plant will carry their campaign to carve a future for the threatened plant to the company's annual shareholders' meeting.

The meeting is scheduled for Thursday (May 8) at Ford Auditorium in Detroit.

UAW Local 930, which represents the 425 unionized workers at the plant, has also asked each of the 69 Ford UAW locals to send a representative to the meeting to show support for the Green Island employes.

"What is unique is that the union is going to the stockholders and saying we need your help," said Local 930 President James Roti Roti.

The Green Island plant manufactures copper and brass radiators and heater cores.

Ford has announced that it plans to consolidate operations as it shifts increasingly to use of aluminum for the parts, and the company has not identified any future product at the plant. The phase-in to aluminum, which Ford said is being done for efficiency and durability, is expected to be completed by 1988.

Much of the work at Green Island is expected to be transferred to Ford's Sheldon Road (Mich.) plant, the company said. In the past two years, 111 former Green Island employes have transferred to Michigan, and Ford anticipates additional transfers. Ford also said many Green Island workers will be eligible for retirement by 1988.

However, the UAW's Roti Roti said workers deserve a future at the Green Island plant because Local 930 was among the first in the country in 1982 to advocate reopening the national labor agreement when auto manufacturers were seeking cost-saving concessions.

"We sacrificed and now we're asking the corporation to give us a break and give us a new product for our plant," Roti Roti said.

The union president said if future product is not scheduled at the plant, the union is advocating that all Green Island employes, regardless of age, be offered special early retirement benefits.

"We're asking for something special beyond the contract," he said.

Roti Roti said the Green Island plant is profitable. Ford said, however, that the plant will not be able to sustain itself economically as the shift to aluminum continues.

Joe Wissens photos

Automatic guided vehicles are used to transport engines and powertrains

Buick City: Problems, gains

By Michelle Krebs
Financial Editor

FLINT—General Motors officials said the start-up of its Buick City complex is on schedule and has been no slower than startups at other GM plants.

Nevertheless, reports of production, quality and labor relations problems persist.

GM acknowledges that there have been problems --problems that were anticipated—because of what has been hailed as a radical departure from the traditional way of building cars, both in terms of the assembly process and the labor arrangement.

Buick City, a 1.8-million-square-foot facility, is a combination of a former Buick assembly plant and a former Fisher Body plant. The complex has more automation than most GM plants.

Workers from the two plants that make up Buick City were combined into one workforce. The plant is operated under an entirely new labor agreement, considered innovative in the industry. Workers have less management supervision and have a voice in decision making.

Edward D. DuCharme, manufacturing manager for the Buick-Oldsmobile-Cadillac Group's Flint Product Team, said the Buick City acceleration schedule is proceeding as planned.

At a news conference and media tour of Buick City last week, DuCharme displayed a graph charting the acceleration of Buick City compared with accelerations of other GM plants. According to the chart, Buick City lags slightly behind GM's Orion plant but is well ahead of NUMMI, GM's joint-venture plant with Toyota.

Assembly is made easier with doors off

DuCharme admitted that Buick City's acceleration has not been as smooth as the acceleration at GM's Willow Run (Mich.) plant, which assembles

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Raider loses at Fruehauf: will return

By Michelle Krebs
Financial Editor

SOUTHFIELD, Mich.—New York corporate raider Asher B. Edelman apparently lost his proxy fight to place his 11 people on the board of Fruehauf Corp. last week. But he vowed to return.

Edelman and his group hold 2 million shares—or 9.5 percent—of Fruehauf's common stock, making him the largest single shareholder of the truck-trailer manufacturer. He increased his bid for the rest of Fruehauf's stock to $42 a share.

Fruehauf's board has rejected the bid as inadequate and conditional. The company said the conditions would allow Edelman to revise or abandon his proposal.

"Even if the price was right, and we don't believe it is," Chairman Robert D. Rowan told shareholders, "we have little confidence that Mr. Edelman could complete his proposal."

At the annual meeting last week, it appeared that Fruehauf management's slate of nominees for the board of directors was overwhelmingly elected over Edelman's rival slate. The final results, following a count by independent inspectors, will be announced May 15.

Nonetheless, following the annual meeting, Edelman said his bid still stands. He also announced he had demanded a seat on the Fruehauf board. The board had 12 spots until the morning of the annual meeting when one member, who had reached mandatory retirement age, resigned.

Edelman argues that technically a 12th board seat remains, and the board must allow him to have it.

Fruehauf management, however, contends that—in accordance with the company's bylaws and Michigan law—the size of the board was reduced when the 12th member resigned.

Rowan said Edelman was not welcome on the board. "The obligation of the board of directors is to work for all of the shareholders," he said. "Asher Edelman's real interest in Fruehauf is only in making money for himself."

Edelman would not say if he intended to file a lawsuit if he did not receive the board seat, though he didn't expect to win it. He also could not comment on whether he intended to initiate a tender offer for the rest of Fruehauf's stock.

Edelman said that with a seat on the board, he would act as the company's conscience by entertaining purchase offers by the Edelman groups as well as other interested buyers.

Edelman asked if Fruehauf is talking about its availability with Eaton Corp. or unnamed tire companies. Rowan responded that those were rumors which have absolutely no validity.

Big Four profits decline 9 pct.

By Michelle Krebs
Financial Editor

Combined earnings for the Big Four auto makers were off 9 percent in the first quarter while sales were up 10 percent, setting an any-quarter record.

General Motors, Ford Motor Co., Chrysler Corp. and American Motors earned a combined total of $2.1 billion, down 9 percent from $2.3 billion in the first quarter of 1985.

Sales for the four companies amounted to $48.3 billion, up 10 percent from $43.8 billion in the year-ago quarter. Sales were the highest of any quarter in U.S. auto history.

GM profits amounted to $1.06 billion, down one percent from $1.07 billion last year. It was GM's third best first quarter. GM sales set a new quarterly record at $28.8 billion, up 11 percent from $24.2 billion, even though factory sales of vehicles were off.

AUTO MAKERS' SALES, PROFITS
(In millions)
FIRST QUARTER

	1986 Sales	1986 Profit (Loss)	1985 Sales	1985 Profit (Loss)
American Motors	$ 918.2	($ 18.9)	$ 919.4	($ 29.0)
Chrysler Corp.	5,777.8	356.9	5,408.1	507.6
Ford Motor Co.	14,795.1	728.3	13,246.2	783.3
General Motors	26,820.1	1,063.8	24,182.5	1,071.7
TOTAL	$ 48,301.2	$2,130.1	$ 43,756.2	$2,333.6

Ford reported first-quarter profits $728 million, down 7 percent from 1985's $783 million. It also was Ford's third-best first quarter. Sales were $14.8 billion, up 12 percent from 1985's 13.2 billion for a new quarterly sales record.

Chrysler reported profits of $357 million, down 30 percent from 1985's first-quarter earnings of $506 million. It still was Chrysler's third-best first quarter in history.

Chrysler sales were $5.8 billion, up 7 percent from 1985's $5.4 billion. It was Chrysler's best first quarter for sales and its second best sales for any quarter.

AMC had a loss of $19 million on sales of $918 million. That compares with a loss of $29-million on sales of $919 million in 1985.

Big EDS job for Alberthal

DALLAS—Lester M. Alberthal Jr. has been appointed president of Electronic Data Systems, General Motors' computer services subsidiary.

Alberthal, an 18-year EDS veteran, formerly was senior vice president in charge of EDS' North American Business Operations. He replaces Morton H. Meyerson, who was named to the new position of vice chairman. Company founder H. Ross Perot remains chairman.

Lester M. Alberthal Jr.

Meyerson, a close associate and friend of Perot, had requested a new job. Meyerson will work on joint ventures and acquisitions, the growth of EDS' non-GM business and the marketing of computer service products developed for GM.

EDS also announced the appointment of J. Davis Hamlin, previously vice president of finance and administration, as chief financial officer. He succeeds J. Thomas Walter Jr. who, as a senior vice president, will work with Meyerson.

Gary Fernandes, senior vice president, was named chairman of EDS International, Ltd. Kennard Hill remains vice president in charge of the company's GM operations.

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60th year—No. 5126

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GM and union talk in California, but Van Nuys' future is uncertain

By Matt DeLorenzo
Los Angeles Reporter

LOS ANGELES—What was billed by a union official as a major announcement regarding the future of General Motors' Van Nuys assembly plant turned out to be considerably less.

It resulted in a vague commitment on the part of GM and the union to keep talking about work rule changes to make the plant more competitive.

The Van Nuys plant assembles the Chevrolet Camaro and the Pontiac Firebird.

The press conference was called on the eve of a rally planned by militant union members to pressure GM to make a 10-year commitment to keep the plant open.

There was speculation that the press conference was a move to blunt the rally. It also drew attention to the differences within UAW Local 645 on the best strategy to keep the plant operating.

The only item of substance that came out of the press conference was the fact that the state of California will commit $20 million to help retrain plant employes if GM commits to keeping the facility open.

However, plant manager Ernest Schaefer told the news conference that GM currently has no new-product plans for the facility beyond the 1988 model year, and he confirmed that the scheduled indefinite layoff of the 2,000-worker second shift will go ahead as planned June 9.

According to Robert Thierry, chairman of the California Employment Training Panel, the state would provide the money to help GM shift from a traditional assembly-line production system to a labor-management team concept.

Bruce Lee, director of the UAW Western region which helped negotiate the labor agreement between the union and New United Motor Mfg., Inc., said GM and the union have agreed to continue talks on a new contract that would "put Van Nuys at the top of the list for one or more new products."

Lee said the union also "will work to set up a free enterprise zone" in an effort to attract components suppliers to the area. Lee said the concept of flex production—having the capability to build two or more products on the same assembly line—is one of the keys to keeping the plant open.

Schaefer said GM will continue to negotiate to keep the plant open because "we have a significant asset in having an assembly plant in one of the largest and more important car markets in the U.S."

However, he said that no new product has been selected for Van Nuys. "There is no commitment (to keep the plant open) at this time," he said. He added that a new labor agreement at the plant is integral to any decision to keep the plant open.

Although both Lee and Schaefer hailed company-union cooperation in reaching such an agreement, it was clear that the decision to keep the plant open rests in Detroit.

Also participating in the press conference was Ray Ruiz, who is chairman of Local 645's shop committee and who is leading the negotiations with GM. Lee is backing his efforts.

Observing the proceedings, but not participating, was Peter Beltran, the local's president. Beltran favors taking a harder line with GM and supports a drive organized several years ago by a faction within the union that is seeking a 10-year commitment from GM to keep the plant open. If GM closes the plant, that faction is threatening a boycott of GM products in California.

Eric Mann, Local 645 member and coordinator of the drive, said he felt that what came out of the press conference fell far short of what the workers want in terms of assurances.

"What was announced here is positive," Mann said, "but we want a commitment, a 10-year commitment. The first step toward cooperation is job security."

Mann said his group intends to keep the pressure on GM. The rally and march went on as as scheduled the day after the press conference.

Queen's Award goes to Jaguar and Cosworth

LONDON—Cosworth Engineering, Ltd., and Jaguar plc have received Queen's Awards for Export Achievement, and Cosworth Research and Development has received the Queen's Award for Technological Achievement.

Jaguar, honored for the third consecutive year, is Britain's leading car exporter. The company said it increased its production to 10,606 cars during the first quarter of 1986.

It said worldwide sales were up for the period, as were sales in the U.S., its largest single market.

Cosworth's engineering group said its exports were almost 2½ times higher in 1985 than in 1983. The company designs and produces racing engines and engines and components for high-performance makes such as the Ford RS Cosworth Sierra and the Mercedes 190E.

The technological award is for development of the Cosworth Process, an advanced system for casting aluminum alloy engine components.

Wholesalers elect

PHOENIX—The Automotive Wholesalers of Arizona elected Jim Shaw president, Saul Bart vice president and Bill Block executive secretary.

Baseball and autos are in Schott empire

By Jenny L. King
Detroit Reporter

Jenny L. King

Margaret Schott

She didn't seem to have an opinion on the American League designated-hitter rule, but she's a promotions wizard and knows how to run a car dealership.

Baseball is Margaret Schott's latest adventure. She's a general partner of the Cincinnati Reds.

Schott started aiming for the top when she found herself heading business interests with which she had little experience. At age 38, she inherited a brick company and Schott Buick, Inc., when her husband died.

Now the Buick and Chevrolet dealer (Marge Schott Chevrolet) is also into real estate, leasing, insurance, concrete and a landfill project.

Speaking before a recent meeting of the Women's Economic Club in Detroit, Schott touched on baseball, punchbowls and women in business. She dubbed her talk "Lady, what are you doing here?" because that's what she has been asked so many times during the unsheltered years of her life.

"When my husband was alive, I was a busy little housewife," she said. "When he died suddenly at 42, I found myself the owner of several businesses and I knew nothing about running them."

She learned quickly. At the Buick outlet, there was an imminent power struggle which she resolved by firing several of the top managers. Once she had eliminated them and the expense-account living that had been popular, the place began to make money.

"General Motors wouldn't recognize me as the dealer for 2½ years," she said. "Finally, when we had the best sales in the whole area, I got a call from Detroit. They said I could come up and sign the papers.

"I told them they could come down and I'd sign the papers," she told her audience.

That's where the punchbowl fitted into the narrative. She said she scurried around when the GM officials came down, getting out her best tea service and a punchbowl.

She was the first female member of the Cincinnati Chamber of Commerce. She also knows how to keep her player-manager Pete Rose in line and how to keep dealership personnel on their toes.

factories list auction dates

American Motors

May 6—D-A Auto Auction, New Stanton, Pa.

May 7—Kansas City Auto Auction, Kansas City, Mo., and Metro Milwaukee Auto Auction, Caledonia, Wis.

May 8—Evansville Auto Auction, Evansville, Ind.; Corry Auto Auction, Corry, Pa., and Northway Exchange, Inc., Clifton Park, N.Y.

May 13—Aptco Auto Auction, Taylor, Mich., and High Point Auto Auction, High Point, N.C.

Chrysler Corp.

May 6—Hatfield Auto Auction, Hatfield, Pa., and Florida Auto Auction of Orlando, Ocoee, Fla.

May 7—Southern Auto Auction, Warehouse Point, Conn.; Columbus Fair Auto Auction Obetz, Ohio; Dallas Auto Auction, Grand Prairie, Tex., and South Seattle Auto Auction, Kent, Wash.

May 8—Fredericksburg Auto Auction, Fredericksburg, Va., and Indianapolis Auto Auction, Indianapolis

May 9—Floyd Hauhe Auto Auction, Bridgeton, Mo.

Ford Motor Co.

May 6—Indianapolis Auto Auction, Indianapolis

May 7—Columbus Fair Auto Auction, Obetz, Ohio; Concord Auto Auction, Acton, Mass., and Salt Lake Auto Auction, Salt Lake City

May 8—Atlanta Auto Auction, Red Oak, Ga.; Arena Auto Auction, Chicago, and Dallas Auto Auction, Grand Prairie, Tex.

May 14—Lakeland Auto Auction, Lakeland, Fla., and Brasher's Southern California Auto Auction, Fontana, Calif.

General Motors

May 6—166 Auto Auction, Springfield Mo., and Denver Auto Auction, Englewood, Colo.

May 7—Brasher's Auto Auction, Fontana, Calif., and Minneapolis Northstar Auto Auction, Shakopee, Minn.

May 8—Nashville Auto Auction, Nashville

May 13—South Seattle Auto Auction, Kent, Wash., and Southern Auto Auction, East Windsor, Conn.

May 14—Clanton's Auto Auction, Darlington, S.C., and Indianapolis Auto Auction, Indianapolis

Used Car Sales
Auction Averages

April 1986	$5,093
Month ago	$4,932
Year ago	$5,283

Model Breakdown
Auction Averages

	APR. 1986	MAR. 1986	FEB. 1986
1986	$11,490	$10,173	$10,659
1985	$8,883	$8,774	$8,655
1984	$6,383	$6,248	$6,186
1983	$5,515	$5,370	$5,232
1982	$4,308	$4,213	$4,089
1981	$3,458	$3,382	$3,362
1980	$2,616	$2,477	$2,478
1979	$2,199	$2,246	$2,345
Overall Average	$5,093	$4,932	$4,811

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Sales of Japanese cars rise 21 pct. in Europe

Continued from Page 1

916,000 for the quarter up 5.6 percent over last year's 2,760,100. If the trend continues, it will certainly produce a sales record for the region by the year's end.

Eleven of the 16 national markets reported sales increases, led by the 16.4 percent (93,500 units) advance in West Germany. Of the other influential markets, Italy gained 3.8 percent, France was steady and there were declines for the U.K. (0.8 percent) and Spain (9.4 percent), according to preliminary and unofficial statistics.

While Fiat Auto seems set to retain European leadership during the next few months, analysts believe that by the end of the year the VW group will have moved ahead. In the first quarter, VW's increase was 12.5 percent, compared with Fiat's 7.6 percent.

Each company has been swept along by its key domestic market, West Germany for VW and Italy for Fiat. But while German sales are picking up after a long period of uncharacteristically weak demand, Italian sales have continued to increase and must be nearing the cyclical turning point.

Besides, when VW's purchase of Spain's Seat goes through in the middle of the year, their combined share will be greater than Fiat's. At the end of March, the consolidated VW-Audi-Seat share was 14.3 percent.

It is an illustration of the changing fortunes of Europe's big auto makers in the 1980s. When the decade began, Renault was market leader with 14.7 percent and VW had 12.1 percent. Now, Renault's share is down a third, and VW is on the verge of a one-fifth increase in its slice.

Ford, GM and PSA each recorded numerical gains in the first quarter compared with a year earlier, but none was as great as the overall market improvement, thus each lost penetration.

The Peugeot Group's sales gain resulted from improvements outside France, where it retained market leadership but with reduced numbers. In France, the real gains were made by importers like Fiat, VW, GM and even the Japanese.

For the Japanese who did so well in the opening quarter, Europe represents a particularly diversified target. Japan faces very strict limits in the important Italian, French and Spanish markets. In the U.K., the so-called gentlemen's agreement between industry associations—recently renewed—restricts Japanese sales to around 11 percent of total.

Historically, Nissan has held about half of that 11 percent in the U.K., leaving all other Japanese importers to share the remainder. It was that large chunk of an important national market which provided Nissan with its overall European advantage over Toyota and the others.

Thus, for Toyota to pull ahead of Nissan in Europe—as it did in the first quarter with 82,400 sales to 79,500—required an allout effort in West Germany, the one large and free region open to the Japanese.

Toyota went into action. It supported that effort with greater sales gains than Nissan in Belgium, Netherlands, Switzerland and Austria.

Over the longer term, that Toyota reversal is unlikely to last. Nissan has pioneered Japanese auto making in Europe and is now starting pilot assembly of Bluebird (Auste) models at Washington, England. Those initial models (24,000 annually) will be regarded as Japanese and thus subject to sales constraints in much of Europe.

But while Nissan appears set to move to the second phase and production of 100,000 units a year, Toyota has made no known moves toward European manufacturing. The European content of the second-phase Nissans will make them eligible for export to the Common Market, and should restore the company's advantage over Toyota.

Toyota's first-quarter sales increase was about 28 percent, compared with Nissan's 16.5 percent. Mazda, the next most important Japanese company in Europe, rose by 18.5 percent to 61,800.

Among other European makers, there were gains in sales and market share by Daimler-Benz (108,700), BMW (78,000) and Seat (41,100). Sales increased for Volvo (71,800), Austin Rover (111,400) and Alfa Romeo (46,700), but market share declined.

EUROPEAN SALES

COUNTRY	1st Quarter 1986	1st Quarter 1985
Austria	55,200	56,700
Belgium/Lux.	128,800	113,100
Denmark	50,900	39,400
Finland	39,100	36,500
France	439,100	438,900
Greece	13,300	21,000
Ireland	20,300	19,700
Italy	501,800	483,400
Netherlands	177,900	160,700
Norway	45,200	34,100
Portugal	21,100	21,400
Spain	125,500	138,500
Sweden	65,700	60,300
Switzerland	69,500	63,100
United Kingdom	499,000	503,200
West Germany	663,600	570,100
Total	2,916,000	2,760,100

1st QUARTER SALES

(Western Europe)

	1st Quarter 1986	Market Share (Pct.)	1st Quarter 1985	Market Share (Pct.)
Fiat Auto	381,200	13.1	354,300	12.8
VW-Audi	375,800	12.9	333,900	12.1
Ford	337,400	11.6	335,900	12.2
General Motors	336,500	11.4	334,100	12.1
Peugeot S.A.	332,200	11.4	317,600	11.5
Japan (all)	327,800	11.2	270,600	9.8
Renault	274,300	9.4	311,100	11.3
Austin Rover	111,400	3.8	108,100	3.9
Daimler-Benz	108,700	3.8	100,900	3.7
BMW	78,000	2.7	71,800	2.6
Volvo	71,800	2.5	70,200	2.5
Alfa Romeo	46,700	1.6	46,400	1.7
Seat	41,100	1.4	36,200	1.3
All others	93,100	3.2	69,000	2.5
Total	2,916,000		2,760,100	

Reagan's product-liability proposal appears doomed this time around

By Helen Kahn
Washington Bureau Chief

WASHINGTON—The Reagan Administration's federal product-liability proposal, put forth with great hoopla last week by Attorney General Edwin Meese and Commerce Secretary Malcolm Baldrige, is not expected to become law this Congress.

Even if it were to make it through the Senate, it could never make its way through the much more troubled waters of House Energy and Commerce Subcommittee and full committee, much less to the House floor.

It will be a victory of sorts if the measure wins approval by the more sympathetic Republican-controlled Senate.

Even though Senator Robert Kasten, Wisconsin Republican, introduced the bill promptly and with some reservations, Senator John Danforth, Missouri Republican and chairman of the Senate Commerce Committee, has some strong objections.

If differences between Danforth's own bill and the Administration bill can be settled, the bill could make it to the Senate floor. But opposition from the American Trial Lawyers Assn. and the Ralph Nader groups will be strong.

On the other hand, the Administration bill has the endorsement of the Coalition for Uniform Product Liability Law—a business group that includes the auto companies. Senate Commerce Committee hearings will occur this month.

The Administration bill, which would override segments of state laws, would require liability to be based on fault, whether negligence or strict liability.

Another section of interest to the auto industry is a cap of $100,000 to be placed on non-economic damages, such as pain and suffering, as well as punitive damages.

Future economic damages in excess of $100,000 could be paid in installments. Judgments could be reduced by compensation received from other sources (veterans benefits, employer-financed health benefits, etc.). Attorneys' contingency fees would be scheduled to decrease.

Finally, the bill encourages developing alternative dispute resolution mechanisms.

The Administration believes the inability to obtain product-liability insurance at an affordable price or even sometimes to obtain insurance at any price has "reached crisis proportion."

Baldrige added that this "has a very detrimental effect on U.S. productivity and competitiveness."

He said that those costs eventually mean higher unit prices and make U.S. products less attractive in both foreign and domestic markets.

Fast-paced adventure for moms in fast lane

BEVERLY HILLS, Calif.—Here's a Mother's Day gift for mothers who live in the fast lane—a $9,000 race package that culminates in a trip for two to France for the LeMans races.

Beverly Hills Motoring Accessories is offering a package which includes a three-day class at the Jim Russell British School of Motor Racing, a fireproof racing suit and first-class round-trip airfare for two to France.

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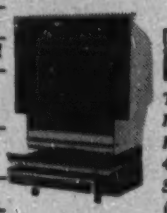

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Production

Auto production dips to 164,359

By Kathy Boyer
Detroit Reporter

Last week's domestic output of 164,359 cars was down 1.08 percent from the previous week's 166,146 and was 9.51 percent below the year-ago week's 181,624.

Due to production cuts, the year's build of 2,933,249 cars has fallen farther behind (3.91 percent) the 3,052,599 completed last year at this point.

Last week's scheduled production was divided this way: General Motors, 55.96 percent; Ford Motor Co., 24.40 percent; Chrysler Corp., 14.24 percent; Honda of America Mfg. Co., 2.31 percent; New United Motor Mfg., Inc., 1.87 percent, and Volkswagen of America, 1.22 percent.

American Motors closed its Kenosha plant for inventory adjustment last week.

The plant, which builds the Renault Alliance and Encore, has been down 10 times this year to trim inventory.

It is scheduled to resume production today (May 5).

Nissan's car line in Smyrna, Tenn., remains down for changeover to the new four-door Sentra.

GM announced it will close its Norwood (Ohio) plant for two weeks and its Lakewood (Ga.) plant for one week beginning today (May 5) for inventory adjustment.

The Norwood plant assembles the Pontiac Firebird and Chevrolet Camaro, and the Lakewood facility builds the Chevrolet Chevette and Pontiac 1000.

As a result of the shutdowns, 6,600 employes will be temporarily laid off.

Ford slated Saturday (May 3) overtime at its Wayne (Mich.) plant.

Chrysler scheduled daily overtime this week at its Belvidere (Ill.) plant.

1,150 jobs to be eliminated at GM Rochester Products

By Mary Connelly
Detroit Reporter

In the next 90 days, General Motors will eliminate approximately 1,150 hourly jobs at two New York plants of its Rochester Products Division.

It will eliminate 400 of those jobs today (May 5). An additional 750 job losses are anticipated in June and July, the company said. There are 4,000 UAW workers at the two plants.

The job losses are blamed on production cutbacks at GM assembly plants due to high inventories and on the industry shift from carburetion to fuel injection technology. The two plants in Rochester, N.Y., supply fuel systems, primarily carburetors, and emission control devices.

GM said last week that it has 15,000 workers on indefinite layoff throughout the company.

The majority of the affected unionized employes in New York will not be laid off but will move into the so-called job banks.

Negotiated in the 1984 national agreement between GM and the UAW, the job bank provision stipulates that no UAW member with more than one year seniority can be laid off because of the introduction of new technology, outsourcing, negotiated productivity improvements or transfers or consolidation of work among GM locations.

The majority of the anticipated Rochester Products Division job losses are deemed technology-related.

There are now 200 people in the Rochester job banks, GM said. An additional 150 workers will move into the bank today 5 when the 400 job cutbacks are effected. Another 200 employes will be placed on indefinite layoff and the remaining 50 workers will temporarily replace employes on leave, the company said. The jobs of those 50 are among the 400 that have been eliminated.

Employes in the job bank receive full wages and benefits. While temporarily in the bank, employes may be trained for new jobs, replace other employes who are in training, accept non-traditional assignments within or outside the bargaining unit or transfer to another plant.

GM has pledged $1 billion to the job bank program for six years or until the money is exhausted. The program is administered jointly by the company and the UAW.

GM and UAW Local 1097, whichrepresents workers at the plants, are also negotiating a new local labor agreement designed to cut operating costs and make the plants more competitive.

Union and company officials are also seeking new business for the Rochester operations because excess plant capacity is anticipated at the end of the year as technology shifts to fuel injection.

Venezuela builds Toyota Corolla

TOYOTA CITY, Japan—Toyota Motor Corp. has begun assembling complete-knockdown kits of its Corolla model in Venezuela at an annual rate of 10,000 units.

Toyota said it started to assemble the cars on April 1 and will put them on sale in May.

The annual build of its four-wheel-drive Land Cruiser in Venzuela is also 10,000 units, Toyota said.

Auto output here in 1984 was approximately 110,000 units, 80,000 of which were built by Ford Motor Co. and General Motors.

Truck output climbs to 75,272

Targeted U.S. production of 75,272 trucks last week was 2.41 percent more than the previous week's 73,501 and 2.79 percent better than the year-ago week's 73,229.

Year-to-date, 1,252,164 trucks have been assembled, 4.59 percent more than the 1,197,190 completed last year at this point.

General Motors announced it will recall 400 workers laid off from its bus plant in Pontiac.

GM received an order for 300 buses from the New York City Transit Authority. Employes are expected to return to work by late June.

The plant has been down since March because of slow sales.

GM scheduled Saturday (May 3) overtime at its Baltimore and Detroit plants.

Ford slated Saturday overtime at its Norfolk and Twin Cities plants.

Canadian autos pass 400,000

Canadian auto makers assembled their 400,000th car last Friday (May 2), 16 days ahead of 1985.

Scheduled output of 25,670 cars last week was about the same as (up 0.98 percent) the previous week's 25,422 and 7.09 percent more than the year-ago week's 23,971.

Truck makers' scheduled production of 19,123 units last week was a bit below (0.78 percent) the previous week's 19,273 and a little more than (0.24 percent) the year-ago week's 19,077.

CANADIAN CAR	Week Ended May 3, 1986	Week Ended May 4, 1985	Week Ended April 26, 1986	April Est.	Jan. 1, to May 4, 1985	Jan. 1, to May 3, 1986
AMERICAN MOTORS	120	368	115	504	3,898	2,128
FORD MOTOR	11,645	10,812	11,404	50,240	175,765	196,055
GENERAL MOTORS	13,680	12,566	13,678	59,808	172,207	199,345
VOLVO	225	225	225	990	3,864	3,796
Total Cars, Canada	25,670	23,971	25,422	111,542	355,734	401,324

U.S. TRUCK☆	Week Ended May 3, 1986	Week Ended May 4, 1985	Week Ended April 26, 1986	April Est.	Jan. 1, to May 4, 1985	Jan. 1, to May 3, 1986
CHEVROLET	23,179	25,118	24,392	101,443	406,412	433,396
DODGE	1,800	4,616	1,734	5,934	73,110	6,928
FORD	31,889	25,760	30,048	132,643	425,655	513,296
GMC	8,129	8,415	7,386	33,054	122,717	129,751
NAVISTAR	1,360	1,761	1,608	6,916	28,592	26,263
JEEP	2,943	4,435	2,943	10,749	69,910	68,727
NISSAN	3,922	1,335	3,340	13,479	37,469	33,941
AM GENERAL	50	50	50	220	870	872
MISCELLANEOUS*	2,000	1,739	2,000	9,120	32,455	39,000
Total Trucks, U.S.	75,272	73,229	73,501	313,558	1,197,190	1,252,164

CANADIAN TRUCK	Week Ended May 3, 1986	Week Ended May 4, 1985	Week Ended April 26, 1986	April Est.	Jan. 1, to May 4, 1985	Jan. 1, to May 3, 1986
AMERICAN MOTORS	816	0	855	3,868	0	6,823
CHRYSLER	8,656	8,889	8,315	36,804	148,201	153,453
FORD	3,648	3,609	3,648	15,999	52,100	61,841
GENERAL MOTORS	5,760	6,309	6,213	26,811	103,773	106,115
NAVISTAR	243	270	242	1,038	4,243	3,509
Total Trucks, Canada	19,123	19,077	19,273	84,519	318,317	331,541
N. American Trucks	94,395	92,306	92,774	398,077	1,515,507	1,583,705

*—Includes window van production. **—Estimated
Jeep includes commercial only. AM General includes government-contract vehicles.
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.
Monthly estimates may contain error of one or two units due to rounding.

U.S. CAR	Week Ended May 3, 1986	Week Ended May 4, 1985	Week Ended April 26, 1986	April Est.	Jan. 1, to May 4, 1985	Jan. 1, to May 3, 1986
AMERICAN MOTORS	0	3,728	1,980	3,990	36,413	16,543
Renault Total	0	3,728	1,980	3,990	36,413	16,543
Alliance	0	2,415	1,724	3,434	21,613	14,445
Encore	0	1,313	256	556	14,800	2,098
CHRYSLER CORP.	23,400	32,065	25,750	111,936	483,500	499,303
Plymouth Total	8,300	9,341	8,660	33,693	141,254	141,826
Horizon	3,600	3,884	3,774	13,596	50,216	53,999
Reliant	3,500	4,019	3,450	14,093	84,442	82,031
Caravelle	900	1,038	983	4,200	20,010	20,320
Gran Fury	300	400	453	1,804	6,586	5,476
Chrysler Total	6,100	10,194	7,318	35,159	159,206	173,009
LeBaron	2,100	2,094	2,351	9,271	39,779	42,719
LeBaron GTS	0	2,603	0	4,317	32,389	26,930
Laser	700	1,615	905	3,775	18,939	19,217
New Yorker/E-Class	1,300	1,586	1,517	6,208	26,287	34,737
Fifth Avenue	2,000	2,386	2,545	11,589	41,814	49,406
Dodge Total	9,000	12,530	9,772	43,084	183,038	184,468
Omni	3,600	3,442	3,667	13,247	52,719	54,451
Aries	2,000	3,679	2,237	9,986	51,016	44,937
Daytona	1,200	1,347	1,275	5,309	16,382	18,587
Dodge 600	1,500	1,498	1,744	7,785	25,900	30,394
Lancer	0	1,771	0	2,951	24,466	24,637
Diplomat	700	793	849	3,805	12,555	11,462
FORD MOTOR	40,102	37,735	39,659	172,458	630,202	641,687
Ford Division	27,698	26,670	27,270	118,097	418,117	438,080
Escort	9,229	7,853	8,292	37,186	110,197	142,554
Mustang	3,960	4,383	4,214	17,602	63,429	70,177
LTD	0	6,460	0	0	89,469	0
Taurus	6,694	0	7,035	31,035	0	92,103
Thunderbird	3,680	3,556	3,616	14,846	76,313	60,975
Crown Victoria	0	0	0	0	7,122	0
EXP	0	0	0	0	3,836	0
Tempo	4,135	4,418	4,113	17,427	67,749	72,221
L-M Division	12,404	11,065	12,389	54,359	212,085	203,607
Mercury Total	8,727	8,121	8,699	38,139	152,019	138,320
Lynx	1,285	1,324	1,158	5,277	25,992	22,897
Capri	322	413	386	1,586	7,202	6,155
Marquis	0	3,020	0	0	43,755	0
Sable	3,352	0	3,406	14,942	0	44,389
Cougar	2,454	2,633	2,432	10,727	49,324	42,086
Grand Marquis	0	0	0	0	4,733	0
Topaz	1,314	731	1,317	5,907	21,013	22,793
Lincoln Total	3,677	2,944	3,690	16,220	60,066	65,287
Continental	411	532	413	1,812	10,891	7,410
Lincoln	2,758	2,085	2,766	12,164	42,547	48,973
Mark VII	508	327	511	2,244	6,628	8,904
GENERAL MOTORS	91,987	101,607	89,820	385,289	1,604,368	1,597,759
Buick Total	17,694	23,238	16,645	69,614	357,390	263,120
Skylark (X-car)	0	1,669	0	0	40,953	0
Skyhawk	1,851	2,775	1,767	7,930	38,229	31,076
Somerset/Skylark	2,550	2,619	2,433	10,272	45,548	35,552
Century	5,974	7,000	5,838	24,561	85,780	88,391
Regal	1,662	2,984	1,466	5,244	40,057	17,645
Wagon/LeSabre (rwd)	311	2,747	278	1,224	49,796	4,834
LeSabre	3,030	0	2,730	11,300	0	37,967
Riviera	751	1,422	598	2,600	23,310	7,857
Electra	1,565	2,022	1,535	6,483	33,717	39,788
Cadillac Total	8,347	7,005	7,303	30,572	135,237	111,266
Cimarron	689	481	634	2,649	10,329	9,394
Seville	709	710	534	2,396	15,126	6,427
Eldorado	706	1,357	556	2,422	28,004	7,868
Cadillac (rwd)	2,256	1,119	1,994	8,451	19,911	30,011
DeVille (fwd)	3,965	3,338	3,585	14,653	61,867	57,566
Chevrolet Total	27,789	33,935	28,385	115,340	628,404	518,489
Chevette	2,207	2,853	2,400	10,205	57,013	43,094
Cavalier	8,752	10,370	8,767	34,861	175,471	152,031
Celebrity	5,479	6,199	5,287	23,255	105,363	107,300
Camaro	4,972	5,020	5,368	19,356	83,181	77,579
Citation	0	1,215	0	0	28,664	0
Monte Carlo	2,197	2,890	2,140	9,260	57,473	41,919
Chevrolet	3,542	4,457	3,772	15,570	105,745	87,086
Corvette	640	931	631	2,833	15,494	9,480
Oldsmobile Total	21,285	25,057	20,950	94,784	452,503	407,832
Firenza	533	1,429	718	4,527	26,992	19,755
Cutlass Supreme	2,358	4,816	2,637	12,728	77,279	57,593
Cutlass Ciera	4,928	7,356	4,395	20,209	136,821	98,757
88 (rwd)	412	4,281	353	1,510	86,016	8,010
88 (fwd)	8,559	0	8,343	35,753	0	115,556
Olds 98	1,893	2,940	1,799	8,716	51,761	44,934
Calais	2,250	3,616	2,277	9,450	57,657	48,557
Toronado	552	619	428	1,890	15,977	5,670
Pontiac Total	16,872	12,372	16,537	74,979	230,834	297,052
Acadian**	0	227	609	1,953	5,086	5,508
2000 Sunbird	3,013	2,759	3,035	12,713	49,086	50,447
1000	1,071	368	968	4,018	10,915	9,751
Firebird	2,648	2,114	2,895	10,352	44,280	41,500
6000	2,758	1,139	2,716	12,604	13,161	53,872
Parisienne	1,290	1,112	1,495	5,180	24,105	29,882
Fiero	1,292	1,917	0	6,725	40,505	26,312
Grand Am	4,800	2,736	4,819	20,425	43,717	77,780
HONDA	3,800	3,305	3,876	16,713	57,558	64,052
NISSAN	0	633	0	0	2,682	21,517
NUMMI*	3,070	455	3,070	13,500	3,060	61,778
VOLKSWAGEN	2,000	2,096	1,991	8,327	34,816	30,610
Total Cars, U.S.	164,369	181,624	166,146	712,218	3,052,599	2,933,249
Total Cars, Canada	25,670	23,971	25,422	111,542	355,734	401,324
N. American Cars	190,039	205,595	191,568	823,760	3,408,333	3,334,573
N. American Trucks	94,395	92,306	92,774	398,077	1,515,507	1,583,705
North American Cars and Trucks	284,434	297,901	284,342	1,221,837	4,923,840	4,918,278

*—Revised estimate. **—All Acadians are built by us in Canada.
Monthly estimates may contain error of one or two units due to rounding.

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Automotive News

May 12, 1986

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Joe Wilssens

A reflective moment for HF II

Attending Ford's annual meeting last week were, from left: Henry Ford II; Philip E. Benton Jr., executive vice president, Ford International Automotive Operations, and Kenneth H. Olson, a Ford director who is president of Digital Equipment Corp., Maynard, Mass. Story on Page 78.

AMC incentives are for dealers

By Jenny L. King
Detroit Reporter

American Motors last week adopted a wide-ranging program of rebates to dealers and invoice price cuts as its answer to the current round of incentives in the industry.

Instead of offering cash to customers or low interest rates on loans, AMC is paying rebates to dealers on AMC, Jeep and Renault vehicles sold to retail customers in May and June, and it has cut invoice prices on cars ordered through the end of the 1986 model run.

Rebates for sales range from $300 to $1,500 per car, and the invoice cuts run from $200 to $800.

Combining the two phases, a dealer can realize as much as $700 on Alliance/Encore models and as much as $2,300 on a Jeep Grand Wagoneer.

Factory-to-dealer awards "give dealers money to work with," an AMC spokesman said. "They can offer low-rate financing or rebates or they can give the customer a better price. Grand Wagoneer customers who pay cash, for example, may not need financing."

The amount of the sales rebate depends on the specific vehicle sold, AMC said. In each instance, AMC said, the dealer can earn incentives equal to or greater than the amount of savings available with the low-interest financing offered by the other domestic makers.

Here's how the three-tiered program works. The steps are sales of 1-2 units, 3-5 units and 6-and-over units.

For Alliance/Encore, the rebate to the dealer is $300 per unit at the first level, $400 for 3-5 units and $500 each for sales of six or more.

For Cherokee/Wagoneer sales, the rebates are $500, $600 and $700 at the three levels. Comanche sales earn $300, $400 and $600 apiece.

Grand Wagoneer returns are $750, $1,000 and $1,500; pickups bring $750, $1,000 and $1,200, and Eagle rebates are $500, $750 and $1,000.

The program applies to all 1985 and 1986 Renault Alliance, Encore and Sportwagon models;

Please turn to Page 6, Col. 1

Japan agrees to talk about auto parts

By Francis J. Gawronski
Tokyo Bureau Chief

TOKYO—Japan has agreed to add transportation equipment—including auto parts—to the agenda for its as-yet-unscheduled trade talks with the U.S.

Japan's auto makers and the Ministry of International Trade and Industry had opposed opening the issue of auto parts at the so-called Market-Oriented, Sector-Specific (MOSS) talks.

The decision came at a meeting of officials of the ministries of Foreign Affairs, International Trade and Industry, and Transportation. Japanese press reported the decision was conveyed to President Reagan and other U.S. officials before they left Japan last week.

Still to be decided are details such as which automotive items will be covered in the talks. The negotiations are expected to cover transportation issues such as the use of high-cube containers for inland transportation and Japan's compulsory automobile checkup system for cars in use.

U.S. parts makers complain the inspections keep them out of Japan's domestic market because original-equipment parts are required to pass the inspection.

In Washington, Commerce Undersecretary for Trade Bruce Smart—who will head the U.S. negotiating team—said auto parts

Please turn to Page 78, Col. 1

U.S. CAR OUTLETS

	Apr. 1 1986	Apr. 1 1985
American Motors		
Renault	1,429	1,421
Chrysler Corp.	4,005	4,003
Ford Motor Co.	5,301	5,5[illegible]
General Motors	9,825	9,8[illegible]
Volkswagen	87[illegible]	8[illegible]
TOTALS	21,628	21,6[illegible]
Less: Intercorporate Duals	980	9[illegible]
NET OUTLETS	20,648	20,67[illegible]

Dealer total declines 25 for quarter

By John K. Teahen Jr.
Senior Editor

Sales were less than spectacular and there were problems galore, but the domestic dealership total held up amazingly well during the first three months of 1986.

The quarterly Automotive News census found 20,648 dealerships handling domestic makes of passenger cars on April 1, down 25 from the 20,673 in business on Jan. 1.

Last year, the industry lost 38 outlets in the first quarter.

Chrysler Corp. showed a gain of two establishments in the opening period of this year, and Volkswagen reported no change. There were dips of one outlet for American Motors-Renault, five for General Motors and 16 for Ford Motor Co.

The net drop for the domestic industry was 25 after factoring in a change in the number of intercorporate duals.

All figures in this article and in the accompanying tables refer to the net change in the dealership population, both for the individ-

Please turn to Page 78, Col. 4

GM hails tax plan; NADA finds flaws

By Geoff Sundstrom
Wahington Reporter

WASHINGTON—The sweeping tax changes approved last week by the Senate Finance Committee—and then backed by President Reagan—are being hailed by General Motors as "true tax reform."

NADA, on the other hand, said auto dealers would oppose the plan because of a provision disallowing the deductibility of interest paid on consumer loans.

Other auto makers and industry groups are uncertain of the bill's affect. Most have suspended judgment until they can take a closer look at the plan. At press time, UAW Spokesman Alan Reuther said the union was "still running numbers."

GM said, "The Finance Committee and its chairman (Oregon Republican Robert Packwood) deserve applause all around. While important details have not yet been clarified, they have come up with a package that looks like true tax reform. It has momentum and should move through the Senate and into conference as quickly as possible."

Neither Chrysler Corp. nor American Motors would comment on the tax package. However, a spokesman said that Chrysler previously has said Congress should be concentrating on solving the deficit problem rather than "wasting time" on tax reform.

Ford Motor Co. said it had not completed its analysis of the bill and that it is "a little too early" to assess the tax impact of the eventual outcome of the legislation.

Senate aides said the bill will be taken up by the full Senate in June. If signed into law, major provisions would become effective Jan. 1, 1987.

The bill sets a top corporate tax rate of 33 percent, more generous than either the House or Administration proposals which called for 38 percent and 35 percent rate, respectively. Also proposed is a

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Joe Wilssens

Seventeen officials representing Toyota, Kentucky and the city of Georgetown dig in

Toyota time in Kentucky

By Joe Wilssens
Staff Writer

GEORGETOWN, Ky.—In a ceremony that closely followed American tradition, Toyota Motor Co. broke ground for an $800-million automobile assembly plant here last week.

When completed in mid-1988, the plant will be the company's first independent U.S. car-building venture.

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Domestic sales drop

By Jenny L. King
Detroit Reporter

The consumer incentives offered by the domestic auto makers in April failed to jolt the market into a spring selling boom.

In fact, domestics finished the month some 68,000 units behind their year-ago total, while imports, with no showroom balloons and whistles, set an April record.

April sales of domestic new cars totaled 719,563, down 8.72 percent from 788,281 last year and up 10.81 percent from 649,351 in March.

Import sales were up 26.69 percent April to April, rising to a record 252,609 from 199,386 a year earlier. They captured 25.98 percent of the total new-car market compared with 20.19 in 1985.

Industrywide sales were 972,172 in April, down 1.57 percent from from 987,667 in April, 1985.

Year-to-date domestic sales were off 7.51 percent, to 2,617,450 from 2,830,089 in 1985. Imports pushed close to the one-million mark and were up 19.39 percent year-to-date to 957,005 from 801,567. The combined figure of 3,574,455 was off 1.58 percent from 3,631,656.

Despite major consumer-incentive programs, the Big Three were unable to match year-ago sales. General Motors reported a sales decline of 8.78 percent in April. GM sales totaled 411,067, down from 450,608 in 1985.

Ford Motor Co. was down 7.85 percent, to 176,291 from 191,311. Chrysler Motors was off 10.08 percent for the month, to 101,270 from 112,621.

Honda sales of 15,003 were up 6.65 percent from 14,067 a year earlier. Volkswagen was up 2.19 percent, to 6,729 from 6,585. American Motors plunged 55.60 percent, to 5,202 from 11,622, while Nissan tripled its first-year sales to 4,001 from 1,267.

The record import sales included a smattering of individual records and a number of year-to-year increases.

BMW and Saab reported any-month sales records in April.

Third-period domestic sales were up 5.60 percent in a straight numbers comparison—298,487 versus 282,683—but they had the advantage of an extra selling day this year. The daily rate of 33,165 was down 6.13 percent from 35,332 in 1985.

Where auto market was, April, 1986

	Total Sales	Pct. of Total
SUBCOMPACT	127,542	13.12%
COMPACT	154,608	15.91%
INTERMEDIATE	267,044	27.47%
STANDARD	94,702	9.74%
LUXURY	75,667	7.78%
IMPORT	252,609	25.98%
TOTAL	972,172	100.00%

U.S. CAR SALES BY MARKETING UNITS

	April, 1986	April, 1985	4 Mos., 1986	4 Mos., 1985
Chevrolet	155,965	161,446	567,256	566,371
Ford	119,936	128,611	433,288	476,598
Oldsmobile	94,792	101,607	353,618	364,098
Pontiac	83,003	82,580	283,874	266,671
Buick	65,951	84,675	242,781	303,834
American Honda	56,755	50,514	201,912	188,037
Mercury	44,116	50,761	161,251	183,086
Dodge	43,856	47,226	154,990	176,387
Toyota	43,813	42,942	168,104	161,961
Nissan	41,277	29,928	162,891	147,836
Chrysler	34,590	31,727	113,805	117,346
Plymouth	33,430	38,594	128,043	148,009
VWoA	26,905	24,477	94,943	88,076
Cadillac	25,533	25,348	97,224	93,424
Subaru	15,683	13,709	64,813	49,504
Lincoln	13,347	12,493	50,356	54,921
Hyundai	12,282	0	23,302	0
Volvo	10,018	9,440	41,477	37,978
Mazda	9,986	10,107	71,988	54,383
BMW	8,415	7,518	28,997	26,562
Mercedes	7,759	8,046	30,336	27,932
AMC-Renault	5,782	12,615	25,942	46,525
Saab	4,485	3,824	14,685	12,663
Mitsubishi	2,977	2,764	15,914	11,621
Porshce	2,682	2,059	9,089	8,070
Jaguar	2,159	1,643	6,811	5,895
Isuzu	2,054	1,126	11,858	7,368
Yugo	1,887	0	8,276	0
Peugeot	1,088	1,230	4,493	4,472
Alfa Romeo	510	505	1,601	1,518
Maserati	124	152	537	521
TOTAL	972,172	987,667	3,574,455	3,631,656

Chevrolet includes Sprint and Spectrum. Honda combines imports and domestics and Acura. Dodge includes Colt, Conquest, Vista. Plymouth includes Colt, Conquest, Vista. VWoA includes Audi.Nissan includes Sentras built in the U.S. Mercury includes Merkur.

IMPORTED CAR SALES

	April, 1986	April, 1985	4 Mos., 1986	4 Mos., 1985
Acura	4,061	0	4,765	0
Alfa Romeo	510	505	1,601	1,518
Audi	5,870	6,727	21,735	22,535
BMW	8,415	7,518	28,997	26,562
Chevrolet Spectrum	8,561	3,836	27,577	13,909
Chevrolet Sprint	6,616	1,212	22,289	5,267
Dodge Colt	3,704	1,716	17,386	9,986
Dodge Conquest	244	204	983	837
Dodge Vista	1,418	514	5,577	2,537
Honda	37,691	36,447	139,069	132,223
Hyundai	12,282	0	23,302	0
Isuzu	2,054	1,126	11,858	7,368
Jaguar	2,159	1,643	6,811	5,895
Maserati Biturbo	124	152	537	521
Mazda	9,986	10,107	71,988	54,383
Mercedes-Benz	7,759	8,046	30,336	27,932
Merkur	1,110	554	4,836	1,355
Mitsubishi	2,977	2,764	15,914	11,621
Nissan	37,276	28,661	138,681	146,569
Peugeot	1,088	1,230	4,493	4,472
Plymouth Colt	3,524	1,762	15,967	9,557
Plymouth Conquest	249	194	931	801
Plymouth Vista	1,473	536	5,262	2,549
Porsche	2,682	2,059	9,089	8,070
Renault	580	793	1,579	3,224
Saab	4,485	3,824	14,685	12,663
Subaru	15,683	13,709	64,813	49,504
Toyota	43,813	42,942	168,104	161,961
Volkswagen	14,306	11,165	48,087	39,770
Volvo	10,018	9,440	41,477	37,978
Yugo	1,887	0	8,276	0
TOTAL	252,609	199,386	957,005	801,567

DOMESTIC CAR SALES

	April 21 to April 30, 1986	Same Period, 1985	April 1986	Same Month 1985	Jan. 1 to April 30, 1986	Same Period, 1985
Alliance	0	0	3,718	6,581	16,965	24,009
Encore	0	0	899	4,414	4,578	15,094
Total Renault	0	0	4,617	10,995	21,543	39,103
Eagle	0	0	585	827	2,820	4,193
Total AMC	0	0	585	827	2,820	4,193
AMERICAN MOTORS	2,002	5,397	5,202	11,822	24,363	43,301
Horizon	3,980	2,919	8,119	8,347	27,727	36,480
Turismo	1,642	2,016	3,926	5,739	14,657	23,551
Reliant	5,010	6,564	10,698	16,142	45,631	52,590
Caravelle	1,796	1,557	3,940	3,716	12,895	13,165
Plymouth	668	691	1,497	2,158	4,972	7,356
Total Plymouth	13,096	13,747	28,180	36,102	105,883	135,102
Laser	1,398	2,912	3,252	6,447	9,588	22,227
LeBaron K	4,377	2,732	9,955	7,985	33,976	30,396
LeBaron GTS	2,920	2,554	7,427	5,072	23,978	15,774
Cordoba	0	0	0	0	0	0
Fifth Avenue	3,913	2,703	8,765	7,730	28,803	30,641
E-Class	0	1,579	0	4,483	0	18,318
New Yorker	2,199	0	5,171	0	17,458	0
Total Chrysler	14,807	12,480	34,590	31,727	113,805	117,346
Omni	3,722	2,788	7,357	7,457	25,169	31,806
Charger	1,777	2,312	4,304	6,486	15,607	25,440
Daytona	1,747	2,730	4,080	6,056	12,154	20,526
Aries	3,406	4,981	7,684	12,791	32,073	41,506
Lancer	2,125	1,698	5,589	3,301	17,689	11,411
Dodge 400-600	0	0	0	0	0	3,012
Diplomat	1,505	1,326	3,326	3,751	9,134	12,899
Mirada	0	0	0	0	0	0
Dodge 600	2,710	1,807	6,130	4,988	19,218	16,547
Total Dodge	16,992	17,644	38,500	44,792	131,044	163,027
CHRYSLER CORP.	44,895	43,871	101,270	112,621	350,732	415,475
EXP	0	892	0	2,313	0	10,991
Escort	12,994	9,668	33,637	27,536	125,480	112,560
Mustang	6,876	4,894	16,966	15,462	56,336	55,545
Tempo	8,369	6,061	21,559	30,020	87,021	122,301
Taurus	8,335	0	19,638	0	56,218	0
Thunderbird	4,848	5,751	11,358	16,256	48,344	52,280
LTD	1,322	6,254	3,553	20,381	16,672	67,912
Crown Victoria	5,209	5,613	13,205	16,643	43,215	55,009
Total Ford Division	47,953	38,953	119,936	128,611	433,288	476,598
Lynx	1,900	1,907	5,350	5,945	22,505	23,359
Topaz	2,030	2,106	4,956	9,211	21,082	33,759
Sable	4,106	0	9,813	0	26,921	0
Cougar XR-7	3,966	3,826	9,510	11,999	38,151	34,586
Capri	450	470	1,125	1,406	4,100	5,546
Marquis	539	2,949	1,387	9,117	7,242	32,614
Grand Marquis	4,252	3,937	10,867	12,539	36,414	46,047
Total Mercury	17,243	15,195	43,008	50,207	156,415	181,731
Continental	684	594	1,676	1,899	6,356	11,327
Lincoln	4,084	3,126	9,861	9,337	37,523	36,667
Mark VII	797	439	1,810	1,257	6,477	6,927
Total Lincoln	5,565	4,159	13,347	12,493	50,356	54,921
Total L-M Division	22,808	19,354	56,355	62,700	206,771	236,652
FORD MOTOR COMPANY	70,761	58,307	176,291	191,311	640,059	713,250
Skyhawk	2,926	4,727	7,061	12,307	22,105	34,907
Skylark	0	4,671	0	10,849	0	39,696
Somerset Regal	4,155	4,015	8,856	9,092	37,136	31,993
Century	8,607	8,120	20,281	19,346	78,114	70,677
Regal	2,582	3,707	6,170	8,599	27,983	34,699
LeSabre	4,309	5,384	10,421	13,623	28,784	51,273
Electra	4,315	2,758	11,784	6,627	43,040	23,032
Riviera	538	1,721	1,378	4,262	5,619	17,567
Total Buick	27,432	35,103	65,951	84,675	242,781	303,634
Cimarron	732	1,277	2,219	3,301	6,836	8,275
Seville	612	979	1,569	2,541	5,175	9,566
Cadillac	8,002	5,123	20,850	14,206	78,077	55,221
Eldorado	694	1,968	1,895	5,300	7,136	20,342
Total Cadillac	10,040	9,347	26,533	25,348	97,224	93,424
Chevette	2,346	3,311	7,015	9,174	26,485	43,792
Nova	4,518	0	11,297	0	45,979	0
Cavalier	12,351	20,015	30,345	56,816	130,424	160,209
Citation	67	2,228	174	6,502	773	26,080
Camaro	7,436	6,342	18,927	18,136	56,273	89,332
Celebrity	14,526	11,155	36,620	29,971	135,850	110,658
Malibu	0	0	0	0	0	0
Monte Carlo	3,974	3,749	10,614	11,171	34,396	39,048
Chevrolet	8,628	7,362	21,895	20,810	75,964	84,690
Corvette	1,401	1,318	3,901	3,818	11,246	13,386
Total Chevrolet	55,247	56,480	140,788	156,396	517,390	547,195
Firenza	1,447	2,672	3,608	8,263	11,946	23,192
Omega	0	0	0	0	0	0
Calais	4,543	3,790	11,593	11,356	38,773	36,404
Cutlass Ciera	11,690	9,695	27,871	30,630	110,312	109,962
Cutlass Supreme	7,117	6,185	16,917	19,781	74,349	73,230
Olds 88	9,667	6,072	22,645	19,258	63,834	71,586
Olds 98	4,003	2,976	10,784	9,225	49,549	35,481
Toronado	498	966	1,394	3,094	4,855	12,232
Total Oldsmobile	38,965	32,558	94,792	101,607	353,618	364,087
Fiero	3,013	5,015	6,963	13,006	23,094	37,239
1000	673	717	1,862	1,742	7,235	7,502
Sunbird	3,953	5,713	5,759	14,950	34,927	41,910
Phoenix	0	0	0	0	0	996
Firebird	4,353	3,802	10,141	10,504	31,535	34,691
Grand Am	9,659	3,562	21,699	10,654	66,366	35,703
6000	6,631	5,454	15,290	15,387	56,896	48,758
Bonneville	1,686	1,767	3,788	4,708	15,397	17,983
Grand Prix	1,679	1,672	3,655	5,066	15,066	19,061
Parisienne	4,860	2,733	10,846	6,543	31,328	21,908
Total Pontiac	36,517	30,625	83,003	82,580	283,874	266,671
GENERAL MOTORS	168,201	163,113	411,067	450,608	1,494,867	1,575,222
VOLKSWAGEN	3,178	3,177	6,729	6,585	25,121	25,771
HONDA	8,325	7,522	15,003	14,067	58,078	55,814
NISSAN	1,125	1,267	4,001	1,267	24,210	1,267
DOMESTIC TOTAL	298,487	251,335	719,563	788,282	2,617,450	2,830,089
IMPORT TOTAL			252,609	199,386	957,005	801,567
INDUSTRY TOTAL			972,172	987,667	3,574,455	3,631,656

Car supply is 70 days; 6-month low

By Kathy Boyer
Detroit Reporter

Inventories of domestic cars on May 1 fell to a 70-day level, the lowest in six months, but they were up considerably from the year-ago figure of 52 days.

Not since the 65 days' supply of November was the total so low.

The unit count on May 1, however, rose from last month's 1,906,998 to 1,945,048. A year ago the count was 1,315,026.

On April 1, the days' supply stood at 76 days.

Sales were up during April; production was up, too. But the number of selling days during the month increased considerably from the holiday-ridden March. The result was a sharply higher daily selling rate during April. Because the days-supply figure is based on the daily selling rate, the May 1 days' supply dropped despite the apparent contradiction of the higher unit count.

The inventory shares: General Motors, 60.79 percent; Ford Motor Co., 20.38 percent; Chrysler Corp., 15.76 percent; American Motors, 1.70 percent; Volkswagen of America, 1.03 percent; Honda, 0.27 percent, and Nissan, 0.07 percent.

On April 1, it was GM, 61.06 percent; Ford, 19.36 percent; Chrysler, 16.25 percent; AMC, 1.81 percent; VWoA, 1.00 percent; Nissan, 0.28 percent, and Honda, 0.24 percent.

On May 1 the shares by size class were subcompact, 17.26 percent; compact, 22.01 percent; intermediate, 38.23 percent; standard, 12.88 percent, and luxury, 9.62 percent.

The April 1 split: Subcompact, 17.01 percent; compact, 22.08 percent; intermediate, 38.08 percent; standard, 13.04 percent, and luxury, 9.79 percent.

There was a 68-day supply of subcompacts on May 1. Days' supply by nameplates: Sentra, 9; Accord, 9; Horizon, 55; Escort, 55; Omni, 58; Lynx, 63; Chevette, 71; Golf/GTI, 78; Pontiac 1000, 86; Turismo, 91; Daytona, 92; Charger, 93; Fiero, 105; Nova, 109; Laser, 133; Alliance 134, and Encore, 303.

Compacts and their days' supply were Mustang, 56; Tempo, 57; Firebird, 61; Reliant, 66; Topaz, 71; Cavalier, 71; LeBaron, 74; Camaro, 79; Sunbird, 82; Aries, 82; Cimarron, 83; Skyhawk, 102; Firenza, 122; Capri, 127, and Eagle, 153.

Intermediates and their days' supply: Grand Am, 24; Sable, 40; Taurus, 44; LTD, 59; Marquis, 66; Cutlass Ciera, 67; Citation, 68; Celebrity, 70; Cougar XR-7, 72; Caravelle, 75; Calais, 79; Cutlass Supreme, 83; Pontiac 6000, 84; LeBaron GTS, 85; Century, 87; Monte Carlo, 88; Dodge 600, 84; Somerset Regal, 89; New Yorker, 89; Thunderbird, 92; Lancer, 95; Bonneville, 106; Regal, 107, and Grand Prix, 118.

A 69-day average was reported for standard-size cars: Diplomat, 45; Parisienne, 49; Plymouth, 53; Grand Marquis, 55; Crown Victoria, 57; LeSabre, 58; Oldsmobile 88, 84, and Chevrolet, 87.

Standard-size cars and their days' supplies: Oldsmobile 98, 42; Cadillac, 53; Lincoln, 58; Mark VII, 65; Continental, 70; Corvette, 71; Toronado, 73; Electra, 76; Seville, 81; Eldorado, 81; Fifth Avenue, 89, and Riviera, 124.

Iowa bans incentives to rental firms

DES MOINES—At the eleventh hour, the state legislature passed a bill banning fleet incentives to rental car companies in Iowa.

Passage of the bill climaxed a long battle that pitted the Iowa Automobile Dealers Assn. against representatives from various auto manufacturers and the MVMA.

The measure was passed by both the state Senate and the House of Representatives late on the last day of the legislative session. The Senate vote was 34-9 with seven not voting. In the House, it was 61-33 with six not voting.

Gary Thomas, IADA executive vice president, called the measure "national precedent legislation" on the state level 10.

Michael Stanton, an MVMA representative, disagreed. Stanton, who has been on the scene since February, claimed it would affect only 10 or 11 companies.

The bill has gone to Gov. Terry Branstad, and his office last week gave no indication on whether he would sign it. If Branstad does not act by June 1, the bill dies. It cannot be returned to the legislature for an override vote because the legislative session has ended. The only hope would be a special session.

Thomas said last week that IADA is "cautiously optimistic" that the governor will sign it.

The bill has two key provisions. The first effectively bans incentives by stating, "A manufacturer shall not knowingly discriminate in price against Iowa purchasers or lessees of motor vehicles by selling or leasing a new motor vehicle to any dealer at a price lower than the lowest price at which the manufacturer offers to sell or lease any new motor vehicle of the same make and model similarly equipped to any other dealer."

Another section specifically addresses rental companies and states that "if the manufacturer makes any incentive available to a rental company, the same or equivalent incentive must be made available to dealers for resale to retail buyers.

Thomas told Automotive News that compromises had to be made. The measure does not apply to cars sold to fleet buyers who use the vehicles in their businesses unless they are in the primary business of renting, leasing or selling motor vehicles.

The law does not apply to dealer-affiliated renting and leasing companies, he said.

That was one of MVMA's key arguments. Stanton said it would affect only 10 or 11 of the 190 to 200 rental outlets in Iowa because the remainder, including Hertz and Avis outlets, are dealer-affiliated.

Thomas disagreed. He said that with the exception of rentals to service customers, most dealers would not put the rental company under the corporate umbrella of the dealership for liability insurance reasons.

Another key provision stipulates that the state attorney general will be responsible for enforcing the law.

The battle over this legislation began early this year. As reported in the March 10 issue of Automotive News, the measure was the target of intense lobbying by manufacturers and dealers. In addition, the dealers faced lobbying efforts by organized labor and citizens' groups.

During that period, the MVMA asserted that passage of the bill could eliminate all types of incentives, including interest-rate incentives offered to the public.

Stanton, in a reversal of that position, said last week that the bill would probably have little effect with one exception. That exception would be any direct-mail incentives offered to consumers, skipping the dealer in the promotion.

Thomas disagreed. He said buyers are not affected.

The Iowa dealer association considered the passage of the bill a significant victory. "We've pioneered the territory," Thomas said. "The legislation strikes at the heart of the two-tier (pricing) problem."

Asked why the bill was focused so sharply on rental companies, Thomas said Iowa dealers see that as the major problem.

The major leasing companies usually buy their cars outside the state, which is not forbidden under this compromise measure. Consequently, there has been little impact on Iowa dealers.

However, the dealers did compromise on that point. Under the original bill, there was a provision dealing with out-of-state sales. The compromise, according to IADA, solved the problems of constitutionality that had been voiced by the attorney general. Now, the measure applies only to Iowa.

But, Thomas said, there was never any intention of compromising on the rental companies because they "have a quick turnaround" of vehicles and those cars end up on the used-car market.

Jerome Magid

Michigan Gov. Blanchard, Iacocca and UAW's Bieber celebrate Dakota launch

Dodge Dakota goal: 150,000

By Mary Connelly
Detroit Reporter

Chrysler Corp. hopes its new midsize Dodge Dakota pickup has minivan magic.

The company is aiming for 150,000 annual sales of the 1987 Dakota and is trying to create a new market segment, repeating the success of its hot-selling Voyagers and Caravans which pioneered the minivan market.

"The Dakota is smaller than conventional pickups but bigger than the mini trucks offered by Ford, GM and the Japanese," said Chrysler Chairman Lee A. Iacocca at production launch ceremonies at the Dodge City truck manufacturing complex Thursday.

"It's the industry's first midsize pickup. We think it's going to do for us what the minivan did—create a brand new segment that the others will have to rush to compete in."

The company is considering ways to augment the two wheelbases and three price classes which will be available when the Dakota reaches dealer showrooms Oct. 2.

Chrysler Motors Chairman Gerald Greenwald said last week that a four-wheel-drive version of the Dakota will go into production in October.

Asked if the company is also considering an extended cab on the vehicle, Greenwald said, "It could represent a good possibility for us."

The Dakota is Chrysler's first new domestically-built pickup since 1972 and the company views it as a potent salvo in the competitive truck market where 20 companies are wooing buyers.

Iacocca said pickups now represent 23 percent of all Dodge sales and 17 percent of all vehicles sold in the U.S. Chrysler in 1981 sold one truck for every five cars. Today it sells one truck for every two cars and Iacocca forecast mounting truck sales through the end of the decade.

"It scares me to think about it but back in the dark days four to five years ago we actually considered pulling out of the truck business," Iacocca said.

Iacocca said the Dakota is targeted at a broad range of buyers because "just as many people want trucks for personal use these days as they do for commercial purposes."

Greenwald said the truck market has been stimulated by the introduction of the minivan as well as the fact that pickups are now available with the range of comfort features found in passenger cars.

Speaking at the ceremonies Thursday marking Chrysler's $500 million renovation of the truck assembly plant, UAW President Owen Bieber remarked, "When it comes to product innovation and targeting the market, Lee and his team are hard to beat."

Chrysler is billing the renovated Dodge City complex as the "world's largest and most advanced high technology truck assembly plant." The complex includes the Warren Truck Assembly Plant, the adjacent Warren Stamping Plant, and the Mound Road Engine Plant, which produces both the new V-6 midsize truck engine and the V-8s used in conventional pickups.

The assembly plant will produce both the Dakota and the conventional Dodge Ram pickups. When it reaches full production in August, Dodge City will build 57 units per hour and is scheduled to produce about 250,000 trucks in the 1987 model year. About 3,700 people are employed at the plant.

Planning for the renovation began in 1984 and has resulted in a complex of 2.8 million square feet.

Iacocca said the plant is Chrysler's most technologically sophisticated.

Use of robots has jumped from two to 157. More than 100 are in the body shop where 99.6 percent of the welds on the Dakota are performed automatically.

A new 759,000-square-foot paint facility uses 44 robots.

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60th year—No. 5127

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Stabilization program helps Brazil; banner year for autos predicted

By John deDenghy
Staff Correspondent

SAO PAULO, Brazil—After a month's experience with Brazil's Economic Stabilization Plan, some economists were predicting that the nation's automotive industry will have one of its best years ever.

Since the plan went into effect Feb. 28, all prices and wages have been frozen. The cruzado has strengthened, and inflation has been controlled.

President Jose Sarney announced a deflation or negative inflation of 1.48 percent for March, 1986. Inflation has been as high as 15 percent a month.

The 1.48 percent refers to price decreases in Sao Paulo and Rio de Janeiro, which together account for about 50 percent of the nation's economic and industrial activity. It is estimated that there was zero inflation for all of Brazil in March.

Automotive production, domestic sales and exports all rose in March. There was a brief market slowdown early in the month, but demand is increasing. General Motors dealers, for example, have a 20-25 days backlog of orders.

Used-car prices sagged in early March and have not recuperated so far, but there are signs that the demand for used cars will return. This is because many potential customers now are able to buy. They were not able to do so in the days of high inflation.

Production in March was 98,964 units, up 16.6 percent from February's 84,901. It was up 17.3 percent over 84,406 units assembled in March, 1985. Cumulative production for the first quarter was 264,136 units, up 13 percent from a year ago.

Domestic sales tallied 80,837 units during March, up 7.1 percent from February's 75,461 units. The March total was 18.5 percent ahead of the year-ago month's 68,245. Domestic sales for the first quarter were 214,872 units, up 13.9 percent from 188,635 in 1985.

During March, Brazil exported 20,149 autos, up 91 percent over 10,551 exported during February, and up 10.5 percent from 18,229 units in the year-ago month. Cumulative exports for the first quarter were 39,674, down 12.2 percent from 45,177 during the comparable 1985 period.

The effect of the Economic Stabilization Plan on the automobile industry was twofold.

First, the relation between cost and final sales price was in some cases negative, due to the fact that the industry already was under rigid government price controls. Less severe controls were also affecting some component industries.

Second, when inflation was 15 percent or more per month, a component supplier had to include in his credit price calculation the monthly inflation rate for deliveries in 30 days.

With zero inflation, the auto manufacturers expected a substantial price reduction on credit sales. It would have been a reduction from the Feb. 27 frozen component prices, which already included an inflationary cost element.

With zero inflation, credit costs fell to 2-3 percent per month. The majority of component manufacturers argued that prices were "frozen" and were unwilling to give a credit price discount.

At one point, component deliveries were suspended, but eventually the auto manufacturers and the majority of the suppliers negotiated "deflator indices" between 5 and 7 percent, thus eliminating the early-March shortages of components which affected Volkswagen, General Motors, Ford and Fiat.

Originally, the component industry negotiated as one group with the Automotive Manufacturers Assn.

At present, the government is encouraging individual or sectional negotiations by and between industries to reach agreements.

If no agreements are reached, government mediation will begin. If that does not work, official deflator indexes will be set by the government.

The Economic Stabilization Plan also has affected the strategy of the labor organizations.

Comparative domestic sales by manufacturer for the period January-March 1986 vs. January-March 1985 are as follows:

	1986	1985
Agrale	325	140
Fiat	22,295	16,823
Ford	49,022	44,564
General Motors	55,140	47,753
Gurgel	379	259
Mercedes-Benz	8,473	6,300
Saab-Scania	1,143	805
Toyota	789	692
Volkswagen	76,676	68,875
Volvo	519	541
Others	34	83

Ford plant in Mexico gets customs break

MEXICO CITY—Ford Motor Co.'s engine plant in Chihuahua has been authorized to operate under the "industrial deposit" regime.

That means it can operate as a bond plant without customs supervision. Ford said this should simplify export operations.

Reversing the flow

Ford Australia pulls switch; sells Fairlanes to Japanese

By Pedr Davis
Special Correspondent

BRISBANE, Australia—Ford Australia has reversed the flow and is selling new motor vehicles to Japan.

The initial shipment is only 10 cars—but it could mean a new opportunity.

Ford sold 700 Falcon taxis to Japan from 1966 to 1974 but had to halt exports when Japan switched to unleaded fuel. At the time, Ford Australia didn't have the technology to build engines using unleaded gas.

Now that unleaded is mandatory for new vehicles here, Ford hopes to revive its business with Japan and do something to reverse the flow of vehicles.

The export Fairlanes will be used as VIP limousines by Kinetsu Co., a Japanese travel organization.

Kinetsu has been importing vehicles from the U.S., but currency changes have made buying Australian vehicles more attractive.

In its 1985 annual report, Ford Australia announced record sales of $2 billion and an after-tax profit of $102.5 billion. At current exchange rates, that would be about $1.5 billion in sales and $75 million in profits in U.S. dollars.

The company's share of a record Australian market grew to 24.3 percent—its highest.

Last year, the Falcon maintained its position as Australia's most popular car, with sales of 76,818.

The Laser—a combined Ford-Mazda product—also kept its lead in the small-car segment, with 28,407 new registrations.

Ford raised its share of the commercial-vehicle market to 13.8 percent, from 11.2 percent in 1984.

Ford Australia has also announced a $426 million project to produce an all-new family car to replace the Falcon and a separate project to build a new sports car for export to the U.S.

The sport model is being developed in cooperation with ItalDesign, Turin, Italy.

Terex plant in Ohio books orders through end of '86

CLEVELAND—In the midst of bankruptcy proceedings, Terex Corp. reported that orders for its earthmoving equipment will keep its Hudson (Ohio) plant operating through the end of the year.

The plant employs 600 people.

Judge Harold White is scheduled to receive Terex's reorganization plans by June 10. The plans must be approved by creditors, including the UAW and General Motors.

GM is said to be holding the biggest portion of claims, which could total $35 million.

Terex also disclosed that it has reached an agreement in a dispute with First Wisconsin National Bank of Milwaukee.

The settlement calls for First Wisconsin to forward $2 million to Terex and drop its claims for $3 million. In turn, Terex drops a $5 million claim.

In the final reorganization plans, GM is expected to back a program that will pay 25 cents for every dollar owed.

Since the bankruptcy three years ago of West Germany's IBH Holding A.G.—which had purchased Terex from GM—the auto maker has said it is moving out of heavy-equipment production.

GM now owns Terex, Ltd., in Scotland, which is expected to take over the American Terex's production. But GM is reportedly planning to phase out its Scotland plant as well.

The Hudson facility will become the engineering, sales and distribution center for Terex, Ltd.

Terex's reorganization plans had to include agreements with its UAW employes, who took a pay cut when the company entered Chapter 11.

When GM owned the company, Terex employed more than 2,500 workers.

A real auto supermarket for U.K.

LONDON—One of the U.K.'s leading supermarket chains—ASDA—will sell new cars, beginning in June.

ASDA drive centers will initially be established at six sites, but the long-term plan is to sell cars through the chain's 104 centers.

At first, each site will deal only in one make, said Alan Dowling, ASDA corporate planning director. The plan, he said, is to fill manufacturers' open dealer points.

The company will take cars in trade and will sell them through auctions.

Complete service, with menu-style pricing, will also be offered.

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